

The Shadow Economy in Serbia in 2025.

The National Cashless Payment Initiative "Better Way" supports the activities of the Government of the Republic of Serbia in countering shadow economy. The project helped draft a new Program for Countering Shadow Economy by 2025. In the process of development of that strategic document, NALED made new assessments of the size of the shadow economy in Serbia. In order to ensure maximum reliability of the findings, the size study was first conducted using two different methods.

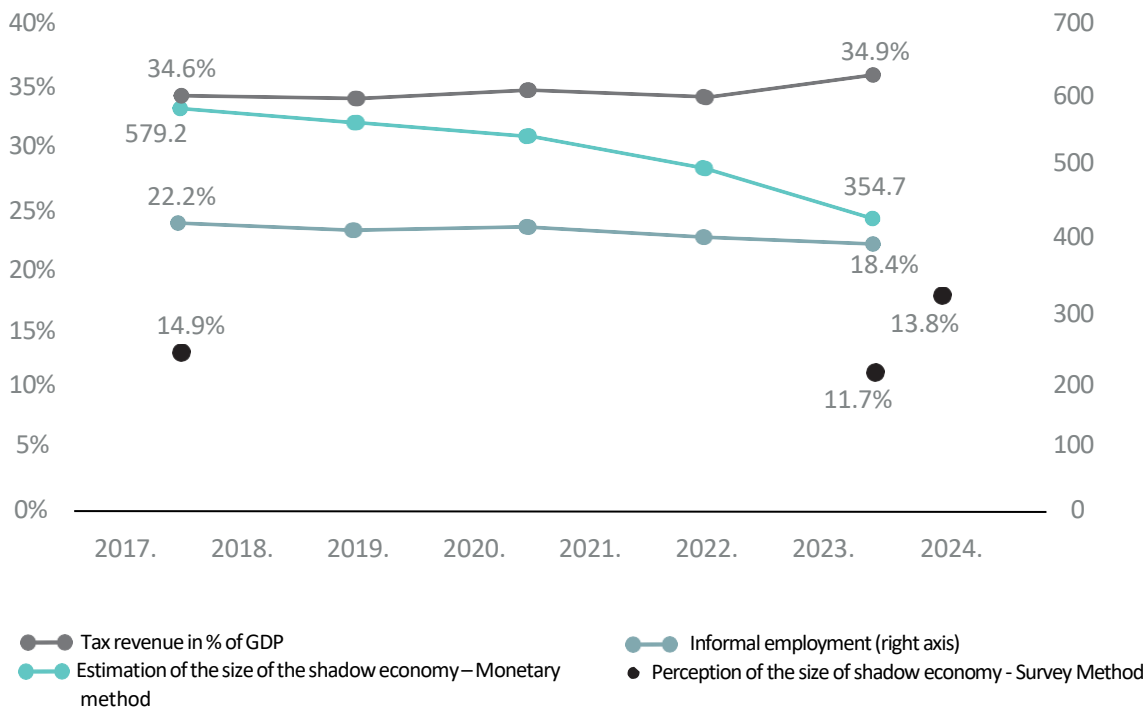
Survey Method

It is based on the revenue method of GDP calculation and the data from business surveys on undeclared wages and undeclared company profits. Indirect responses of businesspeople, i.e., their perceptions of informal operations of "other companies in the same industry," were used. According to this method, the shadow economy is defined as the undeclared income of registered business entities performing legal market activities that are intentionally concealed from state authorities. Although the method is relatively new, an increasing number of countries are applying it, including the Baltic states and countries in Central and Eastern Europe. The method also enables better insight into the structure of the shadow economy (by industry, region, and other characteristics of businesses) and helps identify the specific factors influencing a company's decision to operate within the shadow economy. The size estimation using the survey method was conducted by NALED in 2012, 2017, and 2024, which allows for the comparison of results over time. The study was prepared by Gorana Krstić, PhD, from the Faculty of Economics, and Branko Radulović, PhD, from the Faculty of Law, University of Belgrade.

Monetary Method

It is based on the estimation of the size of the shadow economy by comparing the volume of cash in circulation with the amount of cash that would be sufficient if all businesses and citizens were duly paying taxes. This method captures not only the legal economy but also unregistered businesses and has been applied in Serbia for the first time. The monetary approach was developed in the early 1980s and has since been used in more than 40 countries around the world. In recent years, it has been particularly common in countries at a similar level of development as Serbia. The method first estimates the amount of cash used in the shadow zone in Serbia, which is then multiplied by the average velocity of money circulation to calculate the overall size of the shadow economy. Unlike the survey method, which measures the shadow economy only within the formally registered economy, the monetary method assesses its size within the entire economy and society, thus serving as a complementary tool. It is based on publicly available data and can even be constructed on a monthly basis, allowing for timely insight into the effects of public policies. The study was conducted in 2022 and 2024 by Jasna Atanasijević, PhD, Zorana Lužanin, PhD, from the Faculty of Sciences in Novi Sad, and Marko Danon, PhD, economist and consultant, together with Dušan Kovačević from NALED's Competitiveness Unit.

Basic findings



**drop from 14,9%
to 13,8% of GDP**

The share of the shadow economy according to the survey method among registered businesses was reduced by around three percentage points in the period 2017–2024.

 **7.1 BILLION €**

Nivo sive ekonomije izmeren anketnom metodom pokazuje da registrovana privreda kroz aktivnosti u sivoj zoni obrne 7,1 milijardi evra godišnje

**drop from 22,2%
to 18,4% of GDP**

The share of the shadow economy according to the monetary method was reduced by two percentage points in the period 2017–2024.

11,1 BILLION €

The level of the shadow economy measured by the monetary method shows that registered and unregistered businesses generate around 11.1 billion euros annually through activities in the shadow zone.

The volume of the shadow economy in Serbia has continued to decline over the past five years. A study conducted using the survey method estimates that the level of the shadow economy among registered businesses has decreased by about one percentage point in the period from 2017 to 2024, i.e., from 14.9% to 13.8% of GDP.

That business activity in the shadow zone is shrinking, is also confirmed by the findings of the study conducted using the monetary method. The results show a decline of nearly four percentage points – from 22.2% to 18.4% of GDP.

Other indicators also point to a downward trend, such as the number of informally employed persons in the labor market, which dropped by approximately 225,000 – from 579,000 to around 354,000. During the same period, tax revenues increased by 12 billion euros and reached as much as 26.7 billion euros, or 35% of GDP.

225.000


Informal employees in the labor market have moved to legal flows in the previous seven years